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SUBJECT: ARMENIA COMMERCIAL NEWS SUMMARY:
OCTOBER 2005

SUMMARY

1. This cable summarizes press reporting on commercial developments in Armenia for October 2005. Major headlines include:

- Synopsys Inc. signs agreement to acquire HPL Technologies Inc.;
- Vanadzor Chemical Factory reopens;
- Armenia becomes 64th member of the Asian Development Bank;
- Glassware factory reopens in Byureghavan;
- Armenia pays off debt to Russia; and
- September 2005 economic data.

END SUMMARY.

SYNOPSIS SIGNS AGREEMENT TO ACQUIRE HPL TECHNOLOGIES

2. Synopsys Inc., a semiconductor design software company, signed an agreement to acquire HPL Technologies Inc., working in yield management software and test chip solutions. Both companies have subsidiaries in Armenia, Synopsys Armenia and HPLA, respectively. Since its establishment in 1995, HPLA has been one of the largest IT companies in Armenia. Synopsys Armenia began operations in Yerevan approximately one year ago and, as of July 21, 2005, Synopsys Inc. had invested approximately USD 270 million in Armenian operations. As a result of the merger of their parent companies, the Armenian subsidiaries plan to merge later this year. By acquiring HPL products and engineers (most of whom are based in Armenia), Synopsys Inc. hopes to become a world leader in Design for Manufacturing (DFM) solutions for the semiconductor industry.

VANADZOR CHEMICAL COMPLEX REOPENS

3. The Vanadzor Chemical Complex "Prometey Khimprom," which includes a chemical plant, a synthetic fiber plant and a thermal power station, reopened on October 20 after being closed for six years. The plant produces synthetic corundum and has an estimated annual output of 40 tons, valued at approximately USD 7.7 million. The plant operators import raw material for the corundum production from Ukraine and plan to market the product in South-Eastern Asia. A new calcium carbide production department, using raw materials imported from China, is scheduled to open in November 2005. Newspaper reports indicate that companies from Ukraine and Thailand have agreed to purchase 12 and 15 thousand tons of carbide per month from the plant. The director of the complex hopes to partially reconstruct the plant's thermal power station to ensure uninterrupted power supply for plant operations.

ARMENIA 64TH MEMBER OF ASIAN DEVELOPMENT BANK

4. In late September, Armenia became the 64th member of the Asian Development Bank (ADB) and subscribed to 10,557 shares of the bank's capital stock. The ADB's authorized capital stock is 3,509,728 shares equivalent to USD 51.6 billion. Established in 1966, the ADB has focused primarily on reducing poverty in Asia and the Pacific. Last year, the ADB approved USD 5.3 billion

in loans and USD 196.6 million in technical assistance to support its developmental mission.

GLASSWARE FACTORY REOPENS IN BYUREGHAVAN

15. A British businessman of Armenian descent has pledged to invest USD 100 million to restart a crystal/glass factory in the town of Byureghavan, 20 kilometers north-east of Yerevan. Byureghavan was renowned for glassware production before the fall of the Soviet Union. Minister of Trade and Economic Development Karen Chshmarityan told members of the press that the plant will be fully operational by the end of the month. According to the Minister, the plant has already received orders for glass containers from both domestic and foreign buyers and annual post-reconstruction output is expected to reach between USD 50-70 million.

ARMENIA PAYS OFF DEBT TO RUSSIA

16. As widely reported by the local media, Armenia has repaid all of its outstanding debt to Russia. The final payment of USD 1.8 million covered outstanding interest from earlier loans. In 2002, Armenia transferred to Russia five of its largest state-owned companies as part of debt-for-equity swap whereby Russia agreed to write off the vast majority of Armenia's USD 100 million debt. The enterprises included in the agreement were the Hrazdan thermal power plant, the Mars electronics and robotics plant and three research-and-production companies.

SEPTEMBER 2005 ECONOMIC DATA

17. According to National Statistical Service data, Armenia's real GDP grew in January-September 2005 by 11.6 percent year-on-year to USD 3.2 billion. Industrial production increased by 6.2 percent during January-September 2005 to USD 1 billion. Agricultural output grew by 9 percent to USD 706 million, and construction volume increased by 34 percent to USD 579 million. Armenia's foreign trade from January to September 2005 increased by 32.2 percent to USD 1.9 billion. In January-September 2005, exports amounted to USD 687 million, and imports USD 1,248 million, with a foreign trade deficit of USD 561.30 million.

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